

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

PRIVILEGED AND CONFIDENTIAL ATTORNEY CLIENT COMMUNICATION

August 31, 2000

Mr. Tsugio Fukuda
Sports Shinko Co., Ltd.
3-7 Kanda Ogawamachi
Chiyoda-ku, Tokyo 101 JAPAN

Re: Management Agreements.

Dear Mr. Fukuda:

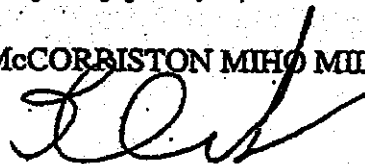
We would like to confirm with you certain very important points that we have discussed this week. We understand that the Sports Shinko Group would like to reorganize its structure of ownership and management operations for its various properties in the State of Hawaii. In that reorganization, Sports Shinko Group would like to delegate the management duties to independent management companies and reserve only the ownership of the properties to the various Sports Shinko subsidiaries.

We have advised Sports Shinko that although such a reorganization is possible, it must be aware of fraudulent conveyances issues both with respect to bankruptcy and foreclosure situations which may affect the effectiveness of the reorganization. Although we understand that it is the intent of Sports Shinko Group to reorganize the various operations in Hawaii to achieve a more efficient management function of the group as a whole, it may be possible for creditors to attack the reorganization effort as a fraudulent conveyance or, in a bankruptcy situation, as either a fraudulent conveyance or a voidable preference. In the worst case scenario, a creditor or a bankruptcy trustee could seek both civil and criminal sanctions. We attach a copy of a newspaper article about Mr. Sukanto Sia who is now being charged with such allegations.

Accordingly, it is critical to the reorganization effort that the management functions be delegated to independent management companies that retain independent counsel who will conduct arms-length negotiations.

Very truly yours,

MCCORRISTON MIHO MILLER MUKAI



Franklin K. Mukai
Eric T. Kawatani

Mr. Tsugio Fukuda
Sports Shinko Co., Ltd.
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ETK:ti

cc: Mr. Satoshi Kinoshita



87°-77° / Partly cloudy
WEATHER, AA

THE HONOLULU STAR BULLETIN

HONOLULU HI

9681

Thursday • AUGUST 31,



SIA: Apprehended by FBI
at meeting with creditors.

Sia pleads not guilty after FBI arrest

TAXPAYER SAVES CLIENT

Ex-trustees

▲▲▲

Reorganization plan approved for school

By Alice Keesling
ADVERTISER EDUCATION WRITER

The Kamehameha Schools interim trustees have approved a major reorganization plan for the school.

The reorganization is necessary for the schools to implement the new strategic plan, which will pump more money into the system and expand the education programs, said chief executive officer Hamilton McCubbin, who outlined the plan to the

beneficiary group Nā Pua a Ke Ali'i Pauahi last night.

The most significant change is the creation of a chief education officer position to oversee all three campuses and educational programs.

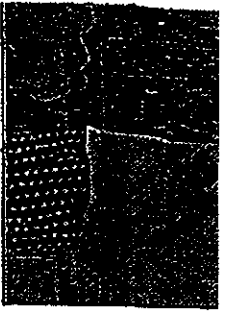
Each campus will be led by a headmaster, who will report to the chief education officer.

That means Kamehameha Schools President

See SCHOOL, A8

Settlement





Associated Press

ly painted clay idol of the
my's 10-day festival devo-
and of the festival, repre-
to the Arabian Sea.

Parto absent trial opens

CARITA, Indonesia — Ex-
tent Suharto's corruption
opened today amid tight se-
but the former dictator did
tend the session after doc-
etermined he was too sick
trial.

is morning Suharto's med-
am consisting of 23 doctors
ed the health of our client
concluded he was sick," at-
/ Felix Tampubolon told the
udge panel. "Because of
he could not face the court,"
secutors immediately asked
two-week adjournment to
their doctors an opportunity
unlike Suharto.

IFIC ISLANDS

el senators back crackdown

IPAN, Northern Mariana Is-
— A bipartisan coalition of
senators, including Demo-

FROM PAGE ONE

close significant assets and funnel-
ing money to friends and relatives
to evade creditors.

Sia repeatedly has denied those
charges.

Yesterday's sealed federal indict-
ment accuses Sia of diverting \$7.6
million from the sale of a Gulf-
Stream IV jet to companies he con-
trolled and then not telling the
bankruptcy court. Sia also is ac-
cused of obtaining two state tax re-
fund checks totaling \$757,249.10
and spending the money.

U.S. Attorney Steve Alm said the
federal indictment carries a penalty
of up to five years in prison and a
\$250,000 fine for each charge.

Officials said yesterday that an
investigation is continuing, and it is
likely they will amend the counts of
the indictment as more informa-
tion is discovered.

Alm said he was not sure how
the criminal case will affect Sia's
civil bankruptcy case or the liqui-
dation of some assets that could
become evidence in a trial later.

In a bail hearing yesterday after-
noon before Federal Magistrate
Judge Barry Kurten, attorneys for
the bankrupt Sia presented a
\$50,000 cashier's check to the
court for bail.

Sia, dressed in a blue, long-
sleeved shirt, slacks and shackles,
also offered to surrender his pas-
port and pay for private security
guards to watch him if he was
granted release or placed under
house arrest here in Hawaii.

Prosecutors argued that Sia, a
citizen of Singapore, was at risk of
fleeing the country and asked that
bail be denied. Sia's attorney,
Kurten denied bail and ordered
that Sia be held in jail overnight

Yesterday's criminal indictment
is the latest in a series of legal prob-
lems that have beset the once high-
flying financier.

Sia, formerly Sultanman Sultan-
to, filed for bankruptcy protection in
a Hawaii bankruptcy court Nov. 6,
1998, just weeks after being arrested
in Las Vegas in the writing of bad
checks at several hotels and casinos.
But within a few months, what start-
ed out as a bankruptcy reorganiza-
tion turned into a fire sale as Sia's es-
tate was forced into liquidation.

Millions owed to casinos?

In his bankruptcy filing, Sia said
he owed creditors nearly \$300 mil-
lion, much of it to casinos for gam-
bling debts; he claimed about \$9
million in assets, mostly in proper-
ties and stock in Bank of Honolulu,
where he served as chairman. Sia,
who now lives in Macau, is no
longer associated with the bank.

The Clark County District Attor-
ney's office in Las Vegas still has
criminal charges pending against
Sia for writing bad checks to the
Rio Hotel and Casino and Caesars
Palace in 1998. Sia also is facing
lawsuits by several banks in Asia,
where they allege Sia owes more
than \$63 million in unpaid loans.

Sia told The Advertiser earlier
this year in an interview that he
filed for bankruptcy protection on
the advice of his lawyers and had
since regretted the decision. He
said he has been dogged by
lawyers, creditors and the FBI over
his complicated and far-flung busi-
ness interests.

Prosecutors alleged yesterday that
Sia and companies he controlled
were involved in a scheme to funnel
money from the sale of a Gulfstream
jet that Sia owned to offshore com-

outside the reach of U.S. courts.

It is a charge that Sia has repeat-
edly denied.

The scheme, according to prose-
cutors, involved Sia selling the jet
back to Gulfstream for \$20 million.
Sia told bankruptcy officials in lat-
er court filings that all of the pro-
ceeds went to pay Finova Capital
Financing, a leasing company that
financed the jet's original pur-
chase. But bankruptcy investiga-
tors said they found only about \$10
million went to Finova.

Sia, through Honolulu attorney
Rendon Nip, ordered that \$7.8 mil-
lion of the proceeds be wired to Ar-
ton Pia Ltd., according to the in-
dictment. Sia owned 99.9 percent
of Arton and was its chairman, ac-
cording to court records. Sia then
issued himself a check from Arton
for \$7.6 million and deposited that
money in a personal Bank of
America account in Singapore,
prosecutors allege. He then had
Bank of America wire \$2 million to
Eleante Holdings Ltd., \$2 million to
Cyber Enterprises Ltd. and \$3.6
million to A-B-C Pacific Ltd. — all
British Virgin Islands holding com-
panies controlled by Sia, according
to officials.

Bought jewels for mother

Some creditors yesterday said
they are not happy with the recent
developments.

Sia said during yesterday's credi-
tor meeting that, despite the bank-
ruptcy case, he traveled to Las Ve-
gas earlier this year and gambled
away several hundred thousand
dollars from state tax refunds at
the Bellagio Hotel and Casino. Sia
also said he "about \$300,000 to
buy a diamond, a ring and ring set
for his mother."

not be amused that (Sia) is spend-
ing money at other casinos when
he still owes them millions," said
Don Gelber, the Honolulu attorney
representing the Rio and Caesars
in the bankruptcy proceeding.

Sia has requested that his bank-
ruptcy case be dismissed, but in-
observers say that is unlikely. Sia
also has filed a motion to have
\$300 million in debts discharged,
leading several creditors to se-
judgments on their own so that
they can start seizing assets that
are not part of the bankruptcy.

"He is a gambling addict, and he
not going to change his ways," said
Scott Batterman, an attorney rep-
resenting a British casino compa-
that is owed \$5.4 million by Sia.

Sia's attorneys raised their o-
questions yesterday about ac-
taken by the FBI and the U.S.
Attorney's Office in arresting Sia.

"This is not about drugs, or
violence," said Sia's newest attor-
John Edmunds. Edmunds said
was lured to Hawaii by the gov-
ment under the pretext of meet-
with creditors, but it was really
a ruse to arrest him.

"He knew the government was
interested in him," Edmunds said
in court yesterday, but he said
was unaware that he was facing
federal indictment.

Hoping Sia would spend as li-
time in jail as possible before the
trial, Edmunds asked Kurten for
earliest court date possible. Kur-
agreed to expedite Sia's detain-
hearing to later this afternoon.

Assistant U.S. Attorney On-
Poirier argued that, "The defen-
dant should not be treated any dif-
ferently because he is rich."

But Edmunds told Kurten the
Sia was not how rich Sia may be
an asking he be treated different
because he was indicted," he said